



***Innovation Hub (iHub)
Guidelines & Application***

Round II

April 22, 2010

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Governor Arnold Schwarzenegger signed an executive order on April 8, 2010 establishing the Governor's Office of Economic Development (GoED), a one-stop shop designed to help businesses obtain the direction, information and resources they need to invest, succeed and expand in California.

Innovation, as the primary driver of economic growth, is one of the most important objectives of this new office. GoED's oversight of the Innovation Hub (iHub) Initiative going forward, exemplifies the extent to which the office values the goals of the program and what participation in the initiative can offer research clusters, startup companies, government entities, business groups, venture capitalists and job creation in the State.

As the founder of the initiative, the Business, Transportation and Housing Agency experienced tremendous success in Round I. GoED, under the mandate put in place through the Governor's executive order, is initiating a second round for iHub designation.

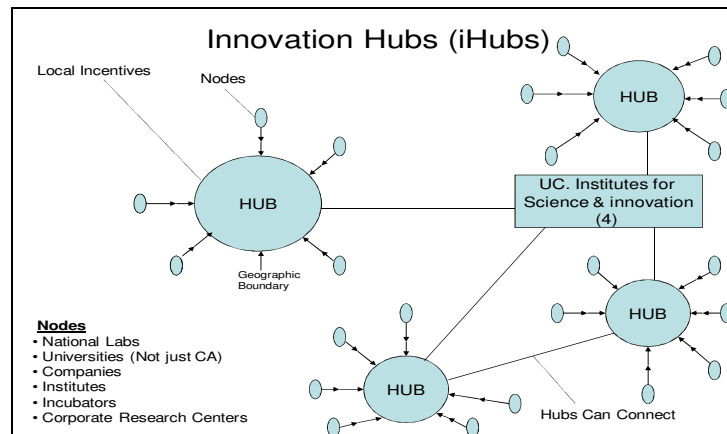
Introduction: The California Innovation Hub Initiative

Innovation is what drives economic growth and California leads the nation when it comes to generating new ideas and new ways of thinking. As the state's lead economic development agency, GoED is committed to preserving a climate that promotes innovation and entrepreneurship in the face of increasing global competition. This belief provides the foundation for the California iHub Initiative, designed to promote collaboration, create employment opportunities, shorten the commercialization process and attract funding for technology.

The "i" in iHub represents the words innovation, inspiration, invention, ingenuity, and investment. iHubs are operated by local collaboratives comprised of government entities, universities, businesses, venture capitalist networks and economic development organizations. Specifically they target young, innovative companies that have been in business for less than eight years in a technology cluster identified by the local consortium. They are anchored by at least one major university or research center/institution, at least one economic development corporation and typically contain assets such as research parks, technology incubators, universities, community colleges, business accelerators and federal laboratories. Certified iHubs are supported by a UC Institute for Science and Innovation.¹

¹ In 2000, AB1943 was signed into law authorizing the Regents of the University of California to establish California Institutes for Science and Innovation for the purpose of combining technological and scientific research and training and educating future scientists and technological leaders. These are the QB3, Calit2, CHSI and CITRIS.

In order to re-enforce the concept of innovation clusters, the iHubs are designed to strengthen the collaboration and support networks of the State's entrepreneurs. A visual concept of the iHub illustrates a possible relationship between the iHub, its nodes (partnerships) and its potential for interconnectivity with other ihubs:



The State recognizes that there is no one mechanism, policy or effort to support or propel all possibilities of innovation. However, recognizing the complexity of innovation, the iHub Initiative was designed with the objective of providing support, partnerships and resources to California's most prized asset – the State's innovators. By supporting the ideas which lead to commercialized products, the iHub Initiative will provide for the economic growth needs of the State.

To achieve an iHub designation, an applicant collaborative must complete a detailed application (not to exceed 15 pages) describing the fundamental elements of the proposed iHub such as its physical boundaries, goals/benchmarks, partnerships, coordination effort and localized incentives which may exist to increase the power and longevity of the partnership. Following submittal, the application will be reviewed by an ad hoc review committee comprised of innovation-minded business professionals, educational professionals, and economic development professionals. The committee will make a recommendation to the Director of GoED, who is then charged with making final designations. There is no limit to the number of applicants who can be awarded a designation in a single round.

On rare occasion, the Director may offer conditional designation to applicants who are on the verge of attaining the designation. A notice issued by GoED will specify the conditions the applicant must satisfy in order to obtain final designation. If the specified conditions are not met within the period specified in the letter of conditional designation, the applicant will lose its designation. Applicants with conditional designation are not considered an official iHub until all conditions have been met.

A formal designation will require that the iHub signs a memorandum of understanding signifying its commitment to a five year relationship with the State of California. During this five year period, the iHub will be required to abide by all of the obligations as stipulated within this application and the signed memorandum of understanding (MOU), actively participate in the statewide iHub network and submit an annual report to the Governor's Office of Economic Development identifying progress made toward stated goals. This report will be used to evaluate the effectiveness of the first generation of iHubs as well as to identify areas for improvement. The exact reporting requirements will be finalized by an agreement between the iHub and GoED as each iHub is unique in its goals and objectives.

The Application

As a strong supporter of innovation, the Governor's Office of Economic Development, is releasing the following guidelines for Round II of the Innovation Hub Initiative. The competitive nature of the initiative limits the direct assistance the State can provide during the application process. The following set of guidelines is intended to provide applicants with direction when applying for designation. Applicants are encouraged to think 'out of the box' when putting together their application; however successful applicants will ensure that each of the specified elements is addressed in their final application.

1. Purpose

Define the purpose or purposes to be served by the formation of the iHub **by identifying which entrepreneurial/business cluster(s) will be targeted for growth or identifying the broader economic development goals of the iHub. If neither of these apply, please describe the purpose of the proposed iHub.**

The explanation of the iHub's purpose should be supported by any previous efforts regarding similar activity such as cluster analysis, regional business analysis, statewide economic development reports, or any current information which exists to support it.

See the chart below for some examples of possible clusters and potential broader economic development objectives which may apply.

Possible Clusters	Potential Broader Economic Development Objectives
Manufacturing Environmental Renewable energy Information technology Life sciences Advanced materials Creative arts Finance/service sectors Advanced manufacturing Agricultural Nanotechnology Homeland defense	An iHub can be directed toward business retention by targeting existing companies with the purpose of aiding in their expansion through: <ul style="list-style-type: none">➤ Hiring technology-based graduates➤ Providing supportive financial structures (e.g., venture capital, angel investment, commercial lending)➤ Securing partnerships between the institution and private sector companies (commercialization, patents/technology licensing, collaborative or joint, R&D)➤ The development of facilities/incubators and amenities to attract and retain technology-based graduates and companies➤ Providing workforce development services and facilities

2. Partnerships

Successful applications will demonstrate that a broad partnership has been formed. The explanation and linkages of this partnership should be fully articulated in a formal statement of cooperation. The statement of cooperation should specifically include the **roles, responsibilities, value and contributions** (financial) of each member of the proposed iHub. This formal agreement may be submitted in the form of an **operational**

plan, memorandum of understanding (MOU), partnership agreement, or similar document. Each partner must also provide an authorized **signature** on the statement of cooperation to certify his/her commitment to the iHub.

Partnerships are encouraged to have representatives from each of the following:

- Local Government Organizations
- Economic Development Organizations
- Agencies providing neighborhood/community services (e.g. Community Action Agency and Community Development Corporation)
- Professional Organizations (e.g. IEEE, ASME, and ASCE)
- Public/Private Universities, California State Universities, California Community Colleges and activity centers in specific areas such as the Rapid Manufacturing Center RapidTech at Saddleback Community College.
- Small business development centers or entrepreneurship centers

Additionally, each certified iHub partnership must be anchored by at least **one** major university or research center/institute, **one** economic development organization and consist of at least **four** of the following:

- Business support organizations, including workforce development/training organizations, incubator/business accelerators, Chambers of Commerce, and networking organizations that support innovation (e.g., LARTA, OCTANe, and Connect).
- Educational consortium, including technology transfer representatives
- Venture capital networks including angel investors
- Business/innovation/science/research foundations
- Laboratory research institutions, federal laboratories, and/or research and development facilities
- Municipal economic development divisions/departments
- Federal government partner (USDA Ag Lab, USDOD)

3. Boundaries

Please provide a brief description of the iHub's **physical boundary**.

- An iHub's physical boundary typically includes the immediate geographic areas around or connected to an educational institution, university, laboratory, or research center.
- The boundary can include "knowledge nodes" that do not have direct geographical access but link educational institutions via technology, transportation, or resource allocation. A clear identification and explanation of these links must be included in the application narrative, including a description of the proposed links (e.g., business parks, campus, incubators, and research and development facilities).
- The boundary must be identified on a **map** that is submitted with the application. The map should include a clear and reasonable explanation for how/why the boundaries were defined.

4. Coordinator

Each iHub should designate at least one individual or entity responsible for coordinating iHub activities.

In order to serve as an iHub Coordinator the individual or entity must be:

- Established as a non-profit organization (recommended)
- Agreed to by the partnership

As coordinator, the individual or entity:

- Is responsible for implementing the day to day objectives of the iHub. This person or organization serves as the primary agent responsible for coordinating services and resources as well as maintaining the partnership.
- Must work with a governing board of iHub members to coordinate iHub activities.
- Must participate in all training and sessions hosted by the Governor's Office of Economic Development and the UC Institutes for Science and Innovation.
- Serves as the primary liaison to the State of California (GoED) and as such must participate in the bi-weekly group "touch base" call and all activities related to participation in the larger California iHub network.

If there are other ideas for how to fulfill the coordinator function, please make sure to provide a detailed explanation for why the format being suggested works best for the proposed iHub.

5. Central Office

Identify **the location that will be used as a central office** to support iHub efforts.

6. Goals/Benchmarks

Identify **the goals to be achieved, steps to reach goals, deadline for goals, and measures or benchmarks whereby those goals can be determined** (e.g. a possible benchmark could be total square footage of start-up and/or an industry category such as I.T., Life Science, Clean Tech). These goals must be agreed upon by all members of the partnership. Progress toward the achievement of these goals will be reported to GoED on an annual basis.

7. Budget

The intent of the budget is to demonstrate the iHub's long-term plan for economic sustainability. Define a **program budget which clearly differentiates between secured funds (in house, contracted), pending funds (application submitted) and potential future funding sources**. Parts of the proposed budget may come from partners' existing work plans and efforts.

Non-profit groups in partnership with a university or national laboratory should be willing to raise additional money to run their program, aggressively implement technology transfer programs and provide grants to companies within the iHubs.

Potential Funding Sources May Include:

Redevelopment agencies
Housing authorities
American Recovery and Reinvestment Act
Private foundations
Workforce Investment Boards
ROPS
Venture capitalists
Colleges
Universities
Grants (city, state and federal)

8. Incentives

Applicants should **provide a list and brief description of local and regional incentives and support programs** that will be used to support businesses within the iHub (e.g. local fast track permitting, industrial development bonds). Incentives that have a financial impact on the iHub must be clearly identified within the budget.

The Application Process

1. General

The application and detailed description of the proposed iHub should not exceed a total of **15 pages**. Ten or fewer relevant supplemental attachments (e.g. map of the iHub, MOUs) will also be accepted.

2. Application Checklist

The application will be evaluated based on each of the following elements:

- Statement of Purpose
- A signed Statement of Cooperation and description of the individual roles and relationships of each entity involved in the partnership.
- A clear explanation and map conveying the iHub's physical boundary.
- A clearly stated designee to coordinate iHub activities.
- A clearly identified central location.
- Explicitly stated benchmarks or milestones with approximate dates as to when they will be reached or attained.
- A complete budget including a description of secured funds (and proof), pending funds and potential future funding sources.
- A list and brief description of local and regional incentives and support programs.
- A clearly articulated commercial market focus and plan.
- A clearly articulated iHub management structure and plan. This should include a description of the capabilities, qualifications and experience of the proposed management team, team leaders, and/or key personnel who are critical to achieving the proposed objectives.
- A list of iHub assets and resources.

- A clearly articulated focus area of the iHub. This should include industry sectors or other targeted areas for development and growth.
- A list of specific resources available to support and guide young companies.
- A clearly articulated list of goals to be achieved with the certification of the iHub.
- Expectations for job development/business creation.
- Defined performance standards agreed upon by the partners involved in development of the iHub.
- Evaluation procedures that will be used to measure the level of achievement for each stated goal.
- A plan for sustainability.
- Organizational experience including capabilities, related experience, facilities, techniques, unusual resources, or unique combinations of these that are integral factors for achieving the proposed objectives.
- Demonstrated experience with innovation programs (e.g. involvement with technology commercialization).
- Demonstrated experience with technology transfer/licensing.
Demonstrated experience with intellectual property management.
- Evidence of community engagement and support.

3. Deadlines

Round II offers two application deadlines. Applicants can submit an application on either of the following two dates: **May 20 or July 22.**

All applications shall be submitted to the Governor's Office of Economic Development by 5:00 pm on or before the dates indicated via email to Katy McKenzie at katy.mckenzie@gov.ca.gov. An email will be returned to you to verify the receipt of your application. Hard copies can be submitted to the following address. Please note if you submit a hard copy, the postmark must be on or before the dates noted above.

<p>Governor's Office of Economic Development 1130 K Street, Suite 101 Sacramento, California 95814</p>

4. Evaluation Process

The Governor's Office of Economic Development, along with an established ad hoc review committee comprised of innovation-minded business professionals, educational professionals, and economic development professionals will review and certify each qualifying iHub.

The iHub ad hoc review committee will make a recommendation for designation to the Director of the Governor's Office of Economic Development. The recommendation will be based on the consensus reached after each application is thoroughly reviewed, evaluated and discussed by the committee. The Director will use this recommendation to make the final designations.

GoED will notify the iHubs in writing following the Director's decision. Official iHub designations will be announced approximately four weeks after the deadline for submission.

Official Designation

Prior to official designation as a California iHub, the applicant must self-certify that:

- a. It will comply with the State's non-discrimination policy.
- b. It and its principals are current in payment of all state and local taxes owed unless they have entered into a workout agreement which was deemed satisfactory by the respective taxing authority and are in full compliance with the terms thereof.

GoED will grant final designation through a memorandum of understanding (MOU) after the applicant completes the tasks identified in its conditional designation notice. The MOU stands as the contract document between GoED and the jurisdictions comprising the iHub and does not in any way infringe upon the day to day activities or the financial independence of the iHub. It will embody the goals identified and commitments made in the application, establish mutually agreed-upon performance benchmarks, and define self-evaluation processes. It will specify the effective date of designation, the expiration date of the iHub, and additional requirements. The applicant's compliance with the MOU shall be the basis for its performance in GoED's audits, which will determine its continuation as an iHub.

Reporting Requirements

Coordinators for designated iHubs will be required to submit an annual report to GoED.

Recognizing that goals may be unique, reporting requirements will be based upon an agreement reached between GoED and each individual iHub.

The following list of reportable items should provide applicants with a general idea of the way in which they will be expected to report:

- Progress narrative toward reaching the project milestones/goals as stated in the application.
- Number of companies providing outreach services within the iHub.
- Number of companies starting up in the iHub.
- Number of incubators created in the iHub.
- Number of new positions created in the iHub (new employees).
- Number of new full-time employees retained in the iHub (only incumbent).
- Revenues/sales from start-up companies in the iHub.
- Numbers of individuals educated/trained and placed into employment or that start a business in the iHub.
- Number of corporate partnerships/research contracts developed (documented) by the iHub.

- Number of patents, applications, licenses, and disclosures originating from the collaboration/partnership.
- Number of internships occurring with companies in the iHub.
- Research and development contracts originating from the collaboration/partnership in the iHub.
- An inventory to the California Space Authority (CSA) of all young companies (7 years or less) within the iHub including their target area (e.g. solar energy technology). CSA will then catalog this information for the California Innovation Asset Mapping Inventory.
- Research and development expenditures (federal, state, industry, and other sources).
- Amount of funding leveraged or invested in the iHub, including amount invested in both refurbished and constructed facilities within the iHub, as well as a report on pledged match and other leveraged investments in the Hubs.

Questions should be directed to:

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